

CITY OF LEOMINSTER, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2007

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of Leominster, Massachusetts

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Leominster, Massachusetts, as of and for the year ended June 30, 2007 (except for the Leominster Contributory Retirement System which is as of and for the year ended December 31, 2006), which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Leominster's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of

Additional Offices:

Nashua, NH • Ellsworth, ME • Andover, MA

Leominster as of June 30, 2007 (except the Leominster Contributory Retirement System which is as of December 31, 2006), and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis appearing on the following pages and the supplementary information appearing on page 45 are not required parts of the basic financial statements but are supplementary information required by the *Governmental Accounting Standards Board*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Leominster's basic financial statements. The special revenue fund budgetary comparison information appearing on page 46 is presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Leominster, Massachusetts. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 18, 2008 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Melanson, Heath & Company, P.C.

Greenfield, Massachusetts
March 18, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Leominster, we offer readers this narrative overview and analysis of the financial activities of the City of Leominster for the fiscal year ended June 30, 2007.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Leominster's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The statement of net assets presents information on all assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources

available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Proprietary funds are maintained as follows:

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. Specifically, internal services funds are used to account for self-insured employee health programs and workers compensation activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to financial statements. The notes provide additional information that are essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by the *Governmental Accounting Standards Board*.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 166,365,107 (i.e., net assets), an increase of \$ 8,598,933 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 17,992,719, a decrease of \$ (6,031,034) in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 8,115,631, an increase of \$ 430,442 in comparison with the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$ 23,981,540 a decrease of \$ (3,843,109) in comparison to the prior year.
- At the end of the current fiscal year, the Stabilization Fund fund balance was \$ 8,349,681, an increase of \$ 414,867 in comparison with the prior year.
- The Leominster Contributory Retirement Board voted to adopt a funding schedule to amortize the System's unfunded liability over the next nine years, which is two years less than the previously adopted schedule, and 13 years in advance of the Commonwealth of Massachusetts full funding requirement.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 47,094,859	\$ 47,063,407
Capital assets	<u>175,108,436</u>	<u>165,290,785</u>
Total assets	222,203,295	212,354,192
Long-term liabilities outstanding	27,021,688	30,937,789
Other liabilities	<u>28,816,500</u>	<u>23,650,229</u>
Total liabilities	55,838,188	54,588,018
Net assets:		
Invested in capital assets, net	139,981,544	143,377,939
Restricted	8,482,490	8,015,852
Unrestricted	<u>17,901,073</u>	<u>6,372,383</u>
Total net assets	<u>\$ 166,365,107</u>	<u>\$ 157,766,174</u>

CHANGES IN NET ASSETS

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Revenues:		
Program revenues:		
Charges for services	\$ 12,463,253	\$ 12,850,959
Operating grants and contributions	54,111,141	51,642,367
Capital grants and contributions	4,648,335	15,682,459
General revenues:		
Property taxes	42,033,021	40,422,937
Excises	4,411,939	4,605,671
Penalties and interest on taxes	292,491	450,323
Grants and contributions not restricted to specific programs	7,348,327	5,696,291
Investment income	1,101,594	898,861
Miscellaneous	640,014	330,233
Total revenues	<u>127,050,115</u>	<u>132,580,101</u>
Expenses:		
General government	3,443,493	3,719,033
Public safety	13,892,282	13,462,845
Education	62,965,390	67,223,135
Public works	13,710,317	11,560,518
Health and human services	784,160	804,985
Culture and recreation	1,998,040	1,988,344
Employee benefits	18,017,004	15,301,665
Interest on long-term debt	1,340,844	1,253,889
Intergovernmental	2,242,403	2,114,900
Miscellaneous	57,249	78,320
Total expenses	<u>118,451,182</u>	<u>117,507,634</u>
Change in net assets	8,598,933	15,072,467
Net assets - beginning of year, as restated	<u>157,766,174</u>	<u>142,693,707</u>
Net assets - end of year	<u>\$ 166,365,107</u>	<u>\$ 157,766,174</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$ 166,365,107 an increase of \$ 8,598,933 from the prior year.

By far the largest portion of net assets, \$ 139,981,544 reflects our investment in capital assets (e.g., infrastructure, land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net assets, \$ 8,482,490, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$ 17,901,073 may be used to meet government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in an increase in net assets of \$ 8,598,933. Key elements of this change are as follows:

	<u>Government-Wide Governmental Activities</u>
<u>General Fund Operating Results:</u>	
Excess of State and local revenues over budget	\$ 3,710,309
Excess of tax collections compared to budget	831,407
Budgetary appropriations unspent by departments	846,112
Use of free cash (fund balance) as a funding source for non-recurring items	(4,934,826)
Other GAAP accruals	(22,560)
<u>Timing Differences:</u>	
Excess of current year encumbrances to be spent in subsequent period over prior year encumbrances spent in the current year	1,524,525
<u>Other Items:</u>	
Non-major fund expenditures and transfers out over revenues and transfers in	(2,930,946)
Major fund - Stabilization revenue and transfers in excess of expenses	414,867
Excess current year depreciation over debt service	(318,724)
Capital assets purchased with local and grant revenues	8,592,509
Internal service fund revenues in excess of expenditures	945,235
Other timing differences	(58,975)
Total	<u>\$ 8,598,933</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$ 17,992,719 a decrease of \$ (6,031,034) in comparison with the prior year. Key elements of this decrease are as follows:

	<u>Fund Balance</u> <u>Governmental Funds</u>
<u>General Fund Operating Results:</u>	
Excess of State and local revenues over budget	\$ 3,710,309
Excess of tax collections compared to budget	831,407
Budgetary appropriations unspent by departments	846,112
Use of free cash (fund balance) as a funding source for non-recurring items	(4,934,826)
Other GAAP accruals	(22,560)
<u>Timing Differences:</u>	
Excess of current year encumbrances to be spent in subsequent period over prior year encumbrances spent in the current year	1,524,525
<u>Other Items:</u>	
Major fund - Library Construction expenditures over revenues and transfers in	(5,469,922)
Major fund - Stabilization revenue and transfers in excess of expenses	414,867
Non-major fund expenditures and transfers out over revenues and transfers in	<u>(2,930,946)</u>
Total	<u>\$ (6,031,034)</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 8,115,631, while total fund balance was \$ 12,305,900. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 8 percent of total general fund expenditures, while total fund balance represents 12 percent of that same amount. Additionally, the City's Stabilization Fund (a major fund) undesignated fund balance of \$ 8,349,681 represents 8 percent of total general fund expenditures.

The fund balance of the general fund increased by \$ 1,954,967 during the current fiscal year. Key factors in this change are as follows:

	<u>Government-Wide</u> <u>Governmental Activities</u>
<u>General Fund Operating Results:</u>	
Excess of State and local revenues over budget	\$ 3,710,309
Excess of tax collections compared to budget	831,407
Budgetary appropriations unspent by departments	846,112
Use of free cash (fund balance) as a funding source for non-recurring items	(4,934,826)
Other GAAP accruals	(22,560)
<u>Timing Differences:</u>	
Excess of current year encumbrances to be spent in subsequent period over prior year encumbrances spent in the current year	<u>1,524,525</u>
Total	<u>\$ 1,954,967</u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall increase in appropriations of \$ 3,501,705. Major reasons for these amendments include:

- \$ 188,560 increase in the general government budget.
- \$ 604,897 increase in the public safety budget.
- \$ 894,919 increase in the School Department budget.
- \$ 877,580 increase in the public works budget.
- \$ 140,850 increase in the human services budget.
- \$ 293,815 increase in the culture and recreation budget.
- \$ 54,104 increase in the employee benefits budget.
- \$ 316,980 transfer to the water receipts reserved fund
- \$ 130,000 transfer to the Library Construction Major fund

These increases were funded through the following sources:

- Free cash: \$ 3,292,931.
- Transfers from other available sources: \$ 208,774.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental activities at year end amounted to \$ 175,108,436 (net of accumulated depreciation), an increase of \$ 9,817,651 from the prior year. This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure.

Major capital assets events during the current fiscal year included the following:

- Gallagher boilers: \$ 161,156.
- Doyle Field improvements: \$ 1,067,803.
- High School roof: \$ 271,000.
- Other building improvements: \$ 121,521.
- Police cruiser purchases: \$ 168,238.
- Ambulance purchase: \$ 174,984.

- Library materials: \$ 153,069.
- School computers: \$ 124,938.
- Southeast furniture: \$ 73,126.
- Other equipment purchases: \$ 266,599.
- Rockwell Pond Sewer: \$ 2,516,749.
- Simonds Dam upgrade: \$ 282,088.
- Goodfellows Dam upgrade: \$ 1,441,044.
- Other infrastructure improvements: \$ 3,472,334.
- Land purchases: \$ 1,175,000.
- Construction in progress additions: \$ 6,540,197.
- Construction in progress deletions: \$ (4,181,617).
- Depreciation expense: \$ (4,161,833).
- Capital asset disposal, net: \$ (82,947).

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$ 23,981,540 all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in the footnotes to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Leominster's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Mr. John J. Richard
City Comptroller
City of Leominster
25 West Street
Leominster, MA 01453

CITY OF LEOMINSTER, MASSACHUSETTS

STATEMENT OF NET ASSETS

JUNE 30, 2007

	Governmental <u>Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 35,492,688
Investments	1,850,019
Receivables, net of allowance for uncollectibles:	
Property taxes	853,261
Excises	666,503
User fees	906,912
Departmental and other	433,970
Intergovernmental	3,232,694
Prepaid claims	317,129
Noncurrent:	
Receivables:	
Property taxes	135,396
Loans	3,206,287
Land and construction in progress	90,145,296
Capital assets, net of accumulated depreciation	84,963,140
TOTAL ASSETS	222,203,295
LIABILITIES	
Current:	
Warrants payable	1,093,260
Accrued payroll and withholdings	627,775
Deferred revenues	5,817,065
Accrued interest payable	204,799
Accrued claims payable	3,966,617
Notes payable	12,957,200
Other current liabilities	145,030
Current portion of long-term liabilities:	
Bonds payable	3,915,594
Landfill closure	89,160
Noncurrent:	
Bonds payable, net of current portion	20,065,946
Landfill closure, net of current portion	2,686,039
Compensated absences	4,269,703
TOTAL LIABILITIES	55,838,188
NET ASSETS	
Invested in capital assets, net of related debt	139,981,544
Restricted for:	
Special revenue funds	5,774,563
Permanent funds:	
Nonexpendable	746,073
Expendable	1,961,854
Unrestricted	17,901,073
TOTAL NET ASSETS	\$ 166,365,107

See notes to financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:					
General government	\$ 3,443,493	\$ 631,223	\$ 1,292,235	\$ -	\$ (1,520,035)
Public safety	13,892,282	1,479,861	417,089	2,760,968	(9,234,364)
Education	62,965,390	3,578,054	50,980,410	1,735,533	(6,671,393)
Public works	13,710,317	6,410,032	-	-	(7,300,285)
Health and human services	784,160	46,913	218,182	-	(519,065)
Culture and recreation	1,998,040	317,170	364,290	151,834	(1,164,746)
Employee benefits	18,017,004	-	838,935	-	(17,178,069)
Interest	1,340,844	-	-	-	(1,340,844)
Intergovernmental	2,242,403	-	-	-	(2,242,403)
Miscellaneous	57,249	-	-	-	(57,249)
Total Governmental Activities	\$ 118,451,182	\$ 12,463,253	\$ 54,111,141	\$ 4,648,335	(47,228,453)
		General Revenues:			
		Property taxes			42,033,021
		Excises			4,411,939
		Penalties, interest and other taxes			292,491
		Grants and contributions not restricted to specific programs			7,348,327
		Investment income			1,101,594
		Miscellaneous			640,014
		Total general revenues			55,827,386
		Change in Net Assets			8,598,933
Net Assets:					
Beginning of year, as restated					157,766,174
End of year					\$ 166,365,107

See notes to financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2007

ASSETS

	General	Community Development Block Grant	Housing Development Grant Program	Library Construction	Stabilization	Nonmajor Governmental Funds	Total Governmental Funds
Cash and short-term investments	\$ 13,349,951	\$ -	\$ -	\$ 247,029	\$ 8,349,681	\$ 8,175,374	\$ 30,122,035
Investments	600,000	-	-	-	-	1,250,019	1,850,019
Receivables:							
Property taxes	2,709,646	-	-	-	-	-	2,709,646
Excises	1,083,452	-	-	-	-	-	1,083,452
User fees	-	-	-	-	-	906,912	906,912
Departmental and other	695,360	-	-	-	-	35,315	730,675
Loans	-	3,206,287	-	-	-	-	3,206,287
Intergovernmental	-	184,067	2,426,711	-	-	621,916	3,232,694
TOTAL ASSETS	\$ 18,438,409	\$ 3,390,354	\$ 2,426,711	\$ 247,029	\$ 8,349,681	\$ 10,989,536	\$ 43,841,720

LIABILITIES AND FUND BALANCES

Liabilities:							
Warrants payable	\$ 1,093,260	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,093,260
Accrued payroll and withholdings	627,775	-	-	-	-	-	627,775
Accrued interest payable	64,786	-	-	-	-	-	64,786
Deferred revenues	4,201,658	3,390,354	2,426,711	-	-	942,227	10,960,950
Notes payable	-	-	-	8,970,000	-	3,987,200	12,957,200
Deposits held in custody	30,267	-	-	-	-	-	30,267
Other liabilities	114,763	-	-	-	-	-	114,763
TOTAL LIABILITIES	6,132,509	3,390,354	2,426,711	8,970,000	-	4,929,427	25,849,001
Fund Balances:							
Reserved for:							
Encumbrances	4,190,269	-	-	-	-	-	4,190,269
Perpetual (nonexpendable) permanent funds	-	-	-	-	-	746,073	746,073
Unreserved:							
Undesignated, reported in:							
General fund	8,115,631	-	-	-	-	-	8,115,631
Special revenue funds	-	-	-	-	8,349,681	5,774,563	14,124,244
Capital project funds	-	-	-	(8,722,971)	-	(2,422,381)	(11,145,352)
Permanent funds	-	-	-	-	-	1,961,854	1,961,854
TOTAL FUND BALANCES	12,305,900	-	-	(8,722,971)	8,349,681	6,060,109	17,992,719
TOTAL LIABILITIES AND FUND BALANCES	\$ 18,438,409	\$ 3,390,354	\$ 2,426,711	\$ 247,029	\$ 8,349,681	\$ 10,989,536	\$ 43,841,720

See notes to financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET ASSETS OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET ASSETS

JUNE 30, 2007

Total governmental fund balances	\$ 17,992,719
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	175,108,436
<ul style="list-style-type: none">• In the statement of activities, accounts receivable is accrued, net of an allowance for uncollectible accounts. In governmental funds, all receivables are deferred, except for property tax received within 60 days after year end.	2,709,242
<ul style="list-style-type: none">• Internal services funds are used by management to account for health insurance and workers' compensation activities. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Assets.	1,721,165
<ul style="list-style-type: none">• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(140,013)
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, landfill closure costs and compensated absences, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(31,026,442)</u>
Net assets of governmental activities	\$ <u>166,365,107</u>

See notes to financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2007

	General	Community Development Block Grant	Housing Development Grant Program	Library Construction	Stabilization	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:							
Property taxes	\$ 41,883,181	-	-	\$ -	-	-	\$ 41,883,181
Excises	4,348,967	-	-	-	-	-	4,348,967
Penalties, interest and other taxes	292,491	-	-	-	-	-	292,491
Charges for services	1,238,767	-	-	-	-	10,273,578	11,512,345
Intergovernmental	52,386,665	-	-	-	-	12,417,614	64,804,279
Licenses and permits	915,988	-	-	-	-	-	915,988
Fines and forfeitures	250,110	-	-	-	-	-	250,110
Investment income	958,955	-	-	14,589	414,867	-	1,388,411
Miscellaneous	247,803	-	-	-	-	96,630	344,433
Total Revenues	<u>102,522,927</u>	-	-	<u>14,589</u>	<u>414,867</u>	<u>22,787,822</u>	<u>125,740,205</u>
Expenditures:							
Current:							
General government	3,016,930	-	-	-	-	737,176	3,754,106
Public safety	13,476,449	-	-	-	-	334,550	13,810,999
Education	51,553,006	-	-	-	-	10,380,467	61,933,473
Public works	6,131,285	-	-	-	-	11,660,821	17,792,106
Health and human services	765,526	-	-	-	-	38,155	803,681
Culture and recreation	1,692,859	-	-	5,614,511	-	883,113	8,190,483
Employee benefits	18,017,004	-	-	-	-	-	18,017,004
Miscellaneous	-	-	-	-	-	6,040	6,040
Debt service	4,179,760	-	-	-	-	1,041,184	5,220,944
Intergovernmental	2,242,403	-	-	-	-	-	2,242,403
Total Expenditures	<u>101,075,222</u>	-	-	<u>5,614,511</u>	-	<u>25,081,506</u>	<u>131,771,239</u>
Excess (deficiency) of revenues over expenditures	1,447,705	-	-	(5,599,922)	414,867	(2,293,684)	(6,031,034)
Other Financing Sources (Uses):							
Transfers in	1,547,636	-	-	130,000	-	1,235,374	2,913,010
Transfers out	(1,040,374)	-	-	-	-	(1,872,636)	(2,913,010)
Total Other Financing Sources (Uses)	<u>507,262</u>	-	-	<u>130,000</u>	-	<u>(637,262)</u>	-
Change in fund balance	1,954,967	-	-	(5,469,922)	414,867	(2,930,946)	(6,031,034)
Fund Equity, at Beginning of Year	10,350,933	-	-	(3,253,049)	7,934,814	8,991,055	24,023,753
Fund Equity, at End of Year	<u>\$ 12,305,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,722,971)</u>	<u>\$ 8,349,681</u>	<u>\$ 6,060,109</u>	<u>\$ 17,992,719</u>

See notes to financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

**NET CHANGE IN FUND BALANCES -
TOTAL GOVERNMENTAL FUNDS**

\$ (6,031,034)

- Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay purchases	14,062,431
Depreciation	(4,161,833)
Disposition of capital assets, net	(82,947)
 - Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. (2,378)
 - The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets:

Repayments of debt principal	3,843,109
------------------------------	-----------
 - In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 36,991
 - Some expenses reported in the Statement of Activities, such as compensated absences and landfill closure, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. (10,641)
 - Internal service funds are used by management to account for health insurance and workers' compensation activities. The net activity of internal service funds is reported with Governmental Activities. 945,235
- CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$ 8,598,933**

See notes to financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Other Sources:				
Taxes	\$ 41,051,774	\$ 41,051,774	\$ 41,051,774	\$ -
Excise	3,625,000	3,625,000	4,348,967	723,967
Penalties, interest and other taxes	183,000	183,000	292,491	109,491
Charges for services	1,084,000	1,084,000	1,238,767	154,767
Intergovernmental	43,419,205	43,419,205	44,396,771	977,566
Licenses and permits	541,600	541,600	915,988	374,388
Fines and forfeits	174,000	174,000	250,110	76,110
Investment income	185,000	185,000	958,955	773,955
Miscellaneous	49,000	49,000	247,803	198,803
Transfers in	1,017,600	1,226,374	1,547,636	321,262
Other sources	1,641,895	4,934,826	4,934,826	-
Total Revenues and Other Sources	92,972,074	96,473,779	100,184,088	3,710,309
Expenditures and Other Uses:				
General government	2,893,459	3,082,019	2,982,371	99,648
Public safety	13,142,561	13,747,458	13,507,323	240,135
Education	44,069,967	44,964,886	44,941,763	23,123
Public works	5,672,790	6,550,370	6,297,208	253,162
Health and human services	549,522	690,372	676,175	14,197
Culture and recreation	1,379,533	1,673,348	1,671,701	1,647
Debt service	4,260,539	4,260,539	4,231,200	29,339
Intergovernmental	2,237,579	2,237,579	2,242,403	(4,824)
Employee benefits	18,172,730	18,226,834	18,037,149	189,685
Transfers out	593,394	1,040,374	1,040,374	-
Total Expenditures and Other Uses	92,972,074	96,473,779	95,627,667	846,112
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 4,556,421	\$ 4,556,421

See notes to financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2007

Governmental
Activities
Internal
Service
Fund

ASSETS

Current:

Cash and short-term investments

\$ 5,370,653

Prepaid claims

317,129

TOTAL ASSETS

5,687,782

LIABILITIES

Current:

Accrued claims payable

3,966,617

TOTAL LIABILITIES

3,966,617

NET ASSETS

Unrestricted

1,721,165

TOTAL NET ASSETS

\$ 1,721,165

See notes to financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2007

	Governmental <u>Activities</u> Internal Service <u>Fund</u>
Operating Revenues:	
Employee and employer contributions	\$ <u>16,554,848</u>
Total Operating Revenues	16,554,848
Operating Expenses:	
Employee benefits	<u>15,715,913</u>
Total Operating Expenses	<u>15,715,913</u>
Operating Income	838,935
Nonoperating Revenues (Expenses):	
Investment income	<u>160,300</u>
Total Nonoperating Revenues (Expenses), Net	<u>106,300</u>
Change in net assets	945,235
Net Assets at Beginning of Year	<u>775,930</u>
Net Assets at End of Year	\$ <u><u>1,721,165</u></u>

See notes to financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2007

	Governmental Activities Internal Service Fund
<u>Cash Flows From Operating Activities:</u>	
Receipts from employees and employer	\$ 16,554,848
Payments of employee benefits and expenses	<u>(15,084,174)</u>
Net Cash Provided By Operating Activities	1,470,674
<u>Cash Flows From Investing Activities:</u>	
Investment income	<u>106,300</u>
Net Cash Provided By Investing Activities	<u>106,300</u>
Net Change in Cash and Short-Term Investments	1,576,974
Cash and Short-Term Investments, Beginning of Year	<u>3,793,679</u>
Cash and Short-Term Investments, End of Year	<u><u>\$ 5,370,653</u></u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>	
Operating Income	\$ 838,935
Changes in assets and liabilities:	
Prepaid expenses	(317,129)
Accrued liabilities	<u>948,868</u>
Net Cash Provided By Operating Activities	<u><u>\$ 1,470,674</u></u>

See notes to financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2007

	Agency Funds	Pension Trust Fund (As of December 31, 2006)
<u>ASSETS</u>		
Cash and short-term investments	\$ 679,476	\$ 631,308
Investments	-	87,974,777
Performance bonds	255,257	-
Accounts receivable	<u>50,706</u>	<u>259</u>
Total Assets	985,439	88,606,344
<u>LIABILITIES AND NET ASSETS</u>		
Deferred revenue	-	2,491,535
Guarantee deposits	791,405	-
Other liabilities	<u>194,034</u>	<u>-</u>
Total Liabilities	<u>985,439</u>	<u>2,491,535</u>
<u>NET ASSETS</u>		
Total net assets held in trust for pension benefits	\$ <u>-</u>	\$ <u>86,114,809</u>

See notes to financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Pension Trust Fund</u>
Additions:	
Contributions:	
Employers	\$ 4,942,381
Other systems and Commonwealth of Massachusetts	523,972
Plan members	<u>2,086,308</u>
Total contributions	7,552,661
Investment Income :	
Interest and dividends	3,995,524
Increase in fair value of investments	8,642,220
Less management fees	<u>(143,359)</u>
Net investment income	<u>12,494,385</u>
Total additions	20,047,046
Deductions:	
Benefit payments to plan members and beneficiaries	6,179,400
Refunds to plan members	122,516
Reimbursements to other systems	377,258
Administrative expenses	<u>128,135</u>
Total deductions	<u>6,807,309</u>
Net increase	13,239,737
Net assets:	
Beginning of year	<u>72,875,072</u>
End of year	<u>\$ 86,114,809</u>

See notes to financial statements.

City of Leominster, Massachusetts

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the City of Leominster (the City) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The government is a municipal corporation governed by an elected City Council. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable.

Blended Component Units - Blended component units are entities that are legally separate, but are so related that they are, in substance, the same as the primary government, providing services entirely or almost entirely for the benefit of the primary government. The following component unit is blended within the primary government:

In the Fiduciary Funds: The Leominster Contributory Retirement System which was established to provide retirement benefits primarily to employees and their beneficiaries. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements. Additional financial information of the System can be obtained by contacting the System located at Leominster City Hall, 25 West Street, Leominster, MA 01453.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and

contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *community development block grant fund*, which accounts for grant funds received from the U.S. Department of Housing and Urban Development and expenditures incurred in conjunction with this program.
- The *housing development grant program*, which accounts for grant funds received by the City from the U.S. Department of Housing and Urban Development and subsequently loaned to the Whitney Carriage Associates Limited Partnership for the purpose of rehabilitating and constructing housing units in the City of Leominster.
- The *library construction capital project fund*, which accounts for the resources obtained and used for the rehabilitation and new construction at the City's public library.
- The *stabilization fund*, an account authorized by Massachusetts General Laws Chapter 40, Subsection 5B, from which the City can appropriate for any legal purpose.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

The government reports the following proprietary fund:

- Internal Service Funds - To account for goods or services provided by one City department or agency to other City departments or agencies. The City accounts for its self-insured health and workers compensation funds as internal service funds.

The *pension trust fund* accounts for the activities of the Leominster Contributory Retirement System, which accumulates resources for pension benefit payments to qualified employees.

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and cash equivalents". The interest earnings attributable to each fund type is included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be cash equivalents.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments consist of marketable securities, bonds and short-term money market investments. Investments are carried at market value.

F. Property Tax Limitations

Legislation known as "Proposition 2 1/2" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2 ½ percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2007 tax levy reflected an excess capacity of \$ 5,204,167.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 20,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	25
Vehicles	5 - 10
Office equipment	5
Computer equipment	5

H. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

K. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. **Stewardship, Compliance and Accountability**

A. Budgetary Information

The Mayor presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by the City Council, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at City Council meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the City Council is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

At year end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

B. Budgetary Basis

The General Fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

The budgetary data for the general and certain special revenue funds is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general, water and sewer funds are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
<u>General Fund</u>		
Revenues/Expenditures (GAAP basis)	\$ 102,522,927	\$ 101,075,222
Other financing sources/uses (GAAP basis)	1,547,636	1,040,374
Adjust tax revenue to accrual basis	(831,407)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(2,665,744)
Add end of year carryforwards to expenditures	-	4,190,269
To reverse the effect of non-budgeted State contributions for teachers retirement	(7,989,894)	(7,989,894)
To reverse the effect of GAAP accruals	-	(22,560)
Recognize use of fund balance as funding source/use	4,934,826	-
Budgetary basis	<u>\$ 100,184,088</u>	<u>\$ 95,627,667</u>
<u>Water Fund</u>		
Revenues/Expenditures (GAAP basis)	\$ 3,444,784	\$ 4,015,925
Other financing sources/uses (GAAP basis)	641,980	32,526
Reverse beginning of year appropriation carryforwards from expenditures	-	(15,313)
Add end of year appropriation carryforwards to expenditures	-	53,626
Budgetary basis	<u>\$ 4,086,764</u>	<u>\$ 4,086,764</u>
<u>Sewer Fund</u>		
Revenues/Expenditures (GAAP basis)	\$ 2,915,122	\$ 3,247,245
Other financing sources/uses (GAAP basis)	548,894	288,736
Reverse beginning of year appropriation carryforwards from expenditures	-	(127,835)
Add end of year appropriation carryforwards to expenditures	-	55,870
Budgetary basis	<u>\$ 3,464,016</u>	<u>\$ 3,464,016</u>

D. Deficit Fund Equity

The following funds had deficits as of June 30, 2007:

Capital Project Funds:	
Library Construction	\$ (8,722,971)
Southeast Plans	(668,410)
Water System Improvements	(539,419)
Sewer System Improvements	(844,783)
Land Acquisition	(534,200)
Special Revenue Funds:	
Doyle Field Commission	(10,007)
Educator Quality Grant	(11,680)
IDEA Sped Entitlement	(10,914)
Cops Fast Grant	(12,766)
Literacy Support Grant	(15,686)
Chapter 90 Highway Aid	(32,853)

The deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Massachusetts general law Chapter 44, section 55, limits deposits "in a bank or trust company or banking company to an amount not exceeding sixty per cent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The City and the Contributory Retirement System do not have a deposit policy for custodial credit risk.

As of June 30, 2007, \$ 22,760,929 of the City's bank balance of \$ 38,497,520 as exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the City's name.

As of December 31, 2006, \$ 318,681 of the Contributory Retirement System's bank balance of \$ 738,966 was exposed to custodial risk as uninsured, uncollateralized, and collateral held by pledging bank's Trust Department not in the System's name.

4. Investments

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Laws, Chapter 44, Section 55, limits investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Presented below is the actual rating as of year end for each investment type of the City.

<u>Investment Type</u>	Minimum	<u>Legal</u>	Exempt	<u>Rating as of Year End</u>		
	<u>Fair Value</u>		<u>From Disclosure</u>	<u>AAA</u>	<u>AA2</u>	<u>AA3</u>
Certificates of deposits	\$ 188,486	N/A	\$ 188,486	\$ -	\$ -	\$ -
Corporate equities	219,695	N/A	219,695	-	-	-
Mutual funds	12,973	N/A	12,973	-	-	-
Federal agency securities	128,865		-	128,865	-	-
Municipal bonds	1,300,000		-	1,300,000	-	-
Total investments	<u>\$ 1,850,019</u>		<u>421,154</u>	<u>\$ 1,428,865</u>	<u>\$ -</u>	<u>\$ -</u>

Presented below is the actual rating as of year end for each investment type of the contributory retirement system.

<u>Investment Type</u>	Minimum	<u>Legal</u>	Exempt	<u>Rating as of Year End</u>		
	<u>Fair Value</u>		<u>From Disclosure</u>	<u>AAA</u>	<u>AA2</u>	<u>AA3</u>
Pooled domestic equity funds	\$ 4,395,491	N/A	\$ 4,395,491	\$ -	\$ -	\$ -
Pooled global equity funds	24,656,896	N/A	24,656,896	-	-	-
Pooled international equity funds	12,908,198	N/A	12,908,198	-	-	-
State investment pool *	46,014,192	N/A	46,014,192	-	-	-
Total investments	<u>\$ 87,974,777</u>		<u>\$ 87,974,777</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

* Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust was created under Massachusetts General Laws, Chapter 32, Section 22, in December 1983. The Pension Reserves Investment Trust is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management Board shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts General Laws, Chapter 30B.

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or

collateral securities that are in the possession of another party. The City does not have policies for custodial credit risk.

C. Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. Investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of total investments are as follows:

Morgan Stanley:	
Certificates of deposit	\$ 188,486
Corporate equities	219,695
Commonwealth Financial Network:	
Municipal bonds	<u>1,300,000</u>
Total	<u>\$ 1,708,181</u>

The Contributory Retirement System does not have an investment in one issuer greater than 5% of total investments.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is as follows:

Investment Type	Fair Value		Investment Maturities (in Years)			
			Less Than 1	1 - 5	6 - 10	More Than 10
Certificates of deposit	\$ 188,486		\$ -	\$ 188,486	\$ -	\$ -
Corporate equities	219,695	N/A	-	-	-	-
Mutual funds	12,973	N/A	-	-	-	-
Federal agency securities	128,865		-	79,140	48,924	801
Municipal bonds	<u>1,300,000</u>		-	-	-	<u>1,300,000</u>
Total	<u>\$ 1,850,019</u>		<u>\$ -</u>	<u>\$ 267,626</u>	<u>\$ 48,924</u>	<u>\$ 1,300,801</u>

Information about the sensitivity of the fair values of the Contributory Retirement System's investments to market interest rate fluctuations is not applicable as all of the System's investments are immediately liquid.

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The City does not have policies for foreign currency risk.

5. Taxes Receivable

Real estate and personal property taxes are levied and based on values assessed on January 1 of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on a quarterly basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The City has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Taxes receivable at June 30, 2007 consist of the following (in thousands):

Real Estate		
2007	\$ 758	
2006	5	
2005 and Prior	<u>16</u>	
		779
Personal Property		
2007	35	
2006	25	
2005 and Prior	<u>274</u>	
		334
Tax Liens	1,354	
Tax Foreclosure	229	
Taxes in Litigation	<u>14</u>	<u>1,597</u>
Total		<u>\$ 2,710</u>

6. Allowance for Doubtful Accounts

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts (in thousands):

	<u>Governmental</u>
Property taxes	\$ 260
Tax liens and foreclosures	1,462
Excises	417
Other departmental	297

7. Intergovernmental and Loans Receivables

The current intergovernmental receivable balance reported in the accompanying financial statements represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2007.

The loan receivable balance in the Community Development Grant Fund primarily represents various deferred payment loans made to residents through the City's Federal and State grant programs. This receivable has been deferred.

The loan receivable balance in the Housing Development Grant Fund represents grant funds received from the United States Department of Housing and Urban Development (HUD) under the Housing Development Grant (HDG) program. The City subsequently loaned these funds to Whitney Carriage Associates Limited Partnership for the purpose of rehabilitating and constructing 181 units of housing (45 of which were to be low-income units) in the City of Leominster. The loan is subordinate to loans made by the Massachusetts Housing Finance Authority (MHFA). The balance of the loan has been deferred as the City does not anticipate it being repaid.

8. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Beginning Balance (Restated)	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Buildings	\$ 77,761,709	\$ -	\$ (378,520)	\$ 77,383,189
Building and land improvements	15,576,609	1,621,480	-	17,198,089
Machinery, equipment, and furnishings	8,701,199	1,195,156	(265,078)	9,631,277
Infrastructure	23,876,545	7,712,215	-	31,588,760
Total capital assets, being depreciated	125,916,062	10,528,851	(643,598)	135,801,315
Less accumulated depreciation for:				
Buildings	(29,520,377)	(1,691,588)	329,120	(30,882,845)
Building and land improvements	(5,016,041)	(665,718)	-	(5,681,759)
Machinery, equipment, and furnishings	(4,848,071)	(711,071)	231,531	(5,327,611)
Infrastructure	(7,852,504)	(1,093,456)	-	(8,945,960)
Total accumulated depreciation	(47,236,993)	(4,161,833)	560,651	(50,838,175)
Total capital assets, being depreciated, net	78,679,069	6,367,018	(82,947)	84,963,140
Capital assets, not being depreciated:				
Land	74,846,700	1,175,000	-	76,021,700
Construction in progress	11,765,016	6,540,197	(4,181,617)	14,123,596
Total capital assets, not being depreciated	86,611,716	7,715,197	(4,181,617)	90,145,296
Governmental activities capital assets, net	\$ 165,290,785	\$ 14,082,215	\$ (4,264,564)	\$ 175,108,436

Depreciation expense was charged to functions of the City as follows:

General government	\$ 101,012
Public safety	470,186
Education	1,656,045
Public works	1,437,327
Health and human services	303,004
Culture and recreation	194,259
Total Depreciation Expense	\$ 4,161,833

9. Warrants Payable

Warrants payable represent 2007 expenditures paid by July 15, 2007 as permitted by law.

10. Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the General Fund deferred revenues account is equal to the total of all June 30, 2007 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections.

11. Notes Payable

The City had the following note outstanding at June 30, 2007:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2007</u>
Bond anticipation	4.0%	5/8/07	11/8/07	\$ <u>12,957,200</u>

The following summarizes activity in notes payable during fiscal year 2007:

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Bond anticipation	\$ <u>8,562,500</u>	\$ <u>23,782,200</u>	\$ <u>(19,387,500)</u>	\$ <u>12,957,200</u>

12. Other Liabilities

This balance consists primarily of unclaimed checks (tailings).

13. Long-Term Debt

A. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds currently outstanding are as follows:

<u>Bonds Payable:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s)%</u>	<u>Amount Outstanding as of June 30, 2007</u>
School refunding	04/01/09	3.7	\$ 3,195,000
Municipal buildings refunding	11/01/10	2.75 - 3.75	1,160,000
Skyview Middle School	05/15/13	3.25 - 4.00	4,500,000
School refunding	04/01/14	4.29	4,085,000
Sewer inflow/infiltration (MWPAT)	08/01/18	1.5	191,300
Sewer inflow/infiltration (MWPAT)	08/01/19	1.5	632,600
Harvard Street sewer (MWPAT)	08/01/19	1.5	1,685,371
Water (MWPAT)	08/01/19	1.5	3,209,115
Harvard Street sewer (MWPAT)	08/01/19	1.5	1,983,154
Water improvements	05/01/25	3.50 - 5.00	3,340,000
Total Bonds Payable:			<u>\$ 23,981,540</u>

B. State Revolving Loan

The U.S. Environmental Protection Agency sponsors a low interest rate loan program. The loans are administered by the Massachusetts Water Pollution Abatement Trust (MWPAT) and are used by local communities to improve their public works systems.

The City's loan authorizations and status are as follows:

<u>Purpose</u>	<u>Loan Number</u>	<u>Authorized</u>	<u>Issued</u>
Sewer inflow/infiltration	97-26	\$ 300,000	\$ 295,000
Sewer inflow/infiltration	97-67	1,000,000	975,000
Sewer inflow/infiltration	98-41	2,400,000	2,386,011
Harvard Street sewer	98-126	2,840,000	1,446,815
Harvard Street sewer	98-126A	1,200,000	1,092,755
Water treatment facility	99-08	4,500,000	4,489,993

In addition to offering these loans at a reduced interest rate, MWPAT has also subsidized the loan principal as follows:

<u>Loan Number</u>	<u>Original Loan</u>	<u>Original Principal Subsidies</u>	<u>Original Net Repayment</u>	<u>Revised Principal Subsidies</u>	<u>Revised Net Repayment</u>
Loan #97-26	\$ 295,000	\$ (62,179)	\$ 232,821	\$ (70,465)	\$ 162,356
Loan #97-67	975,000	(205,633)	769,367	(233,033)	536,334
Loan #98-41	2,386,011	(572,893)	1,813,118	(649,530)	1,163,588
Loan #98-126	1,446,815	(354,030)	1,092,785	(447,160)	645,625
Loan #98-126A	1,092,755	(248,660)	844,095	(260,820)	583,275
Loan #99-08	4,489,993	(925,395)	3,564,598	(1,046,725)	2,517,873
Total	<u>\$ 10,685,574</u>	<u>\$ (2,368,790)</u>	<u>\$ 8,316,784</u>	<u>\$ (2,707,733)</u>	<u>\$ 5,609,051</u>

C. Future Debt Service

The annual principal payments to retire all general obligation long-term debt outstanding as of June 30, 2007 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 3,915,594	\$ 750,285	\$ 4,665,879
2009	3,973,812	623,539	4,597,351
2010	2,348,426	490,965	2,839,391
2011	2,355,184	411,668	2,766,852
2012	2,071,920	336,623	2,408,543
2013 - 2017	5,830,172	808,711	6,638,883
2018 - 2022	2,931,432	240,807	3,172,239
2023 - 2027	<u>555,000</u>	<u>47,362</u>	<u>602,362</u>
Total	<u>\$ 23,981,540</u>	<u>\$ 3,709,960</u>	<u>\$ 27,691,500</u>

D. Changes in General Long-Term Liabilities

During the year ended June 30, 2007, the following changes occurred in long-term liabilities:

	<u>Total Balance July 1, 2006 (Restated)</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion June 30, 2007</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 27,824,649	\$ -	\$ (3,843,109)	\$ 23,981,540	\$ (3,915,594)	\$ 20,065,946
Other:						
Landfill closure	2,853,211	-	(78,012)	2,775,199	(89,160)	2,686,039
Accrued employee benefits	<u>4,181,050</u>	<u>88,653</u>	<u>-</u>	<u>4,269,703</u>	<u>-</u>	<u>4,269,703</u>
Totals	<u>\$ 34,858,910</u>	<u>\$ 88,653</u>	<u>\$ (3,921,121)</u>	<u>\$ 31,026,442</u>	<u>\$ (4,004,754)</u>	<u>\$ 27,021,688</u>

14. Landfill Closure and Post-Closure Care Costs

State and Federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City's landfill has been closed for several years and the City has filed a formal closure and monitoring plan with the Commonwealth. The \$ 2,775,199 reported as landfill post-closure care liability at June 30, 2007 represents the annual cost of monitoring for the next 24 years. This amount is based on what it would cost to perform all post-closure care in 2007. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The City expects to fund the cost of monitoring through annual departmental appropriations.

15. Restricted Net Assets

The accompanying entity-wide financial statements report restricted net assets when external constraints from grantors or contributors are placed on net assets.

Permanent fund restricted net assets are segregated between non-expendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

16. Reserves of Fund Equity

"Reserves" of fund equity are established to segregate fund balances which are either not available for expenditure in the future or are legally set aside for a specific future use.

The following types of reserves are reported at June 30, 2007:

Reserved for Encumbrances - An account used to segregate that portion of fund balance committed for expenditure of financial resources upon vendor performance.

Reserved for Perpetual Funds - Represents the principal of the non-expendable trust fund investments. The balance cannot be spent for any purpose; however, it may be invested and the earnings may be spent.

17. Commitments and Contingencies

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Sewer Infiltration/Inflow Project - The City is under a 1996 Administrative Consent Order issued by the Department of Environmental Protection to improve its sewer inflow/infiltration system. The City funded the first two phases of the remediation through a low-interest loan program administered by the Massachusetts Water Pollution Abatement Trust Fund (MWPAT). The projects were substantially completed at the end of fiscal year 2002. The related loan balances, originally issued in the amounts of \$ 942,300 and \$ 1,894,943, are reported as long-term obligations of the City. The final phase was completed in September 2006.

In June 2002, the City received an Administrative Consent Order and Notice of Noncompliance for not fully complying with the 1996 consent order. It is anticipated that the June 2002 order will be partially satisfied through remediation (beginning in July 2007) and is estimated to cost approximately \$ 1,000,000, which the City intends to fund through bond proceeds. Additionally, the City expects to fully satisfy the order by continued maintenance in conjunction with operational monitoring, to be funded through annual departmental operations.

Water Filtration Plant - The City is under a 2006 consent order issued by the Department of Environmental Protection to construct a new water filtration plant at Distributing Reservoir. The City is currently in the data accumulation phase and, as a result, the costs associated with construction cannot be reasonably estimated at this time.

Sludge Disposal Agreement - In 1989 the City entered into a 30-year agreement with the City of Fitchburg for sludge removal. The agreement may be terminated with one year's notice. The cost is appropriated annually and is based on actual usage. The annual cost is estimated to be approximately \$ 480,000 per year.

Wastewater Treatment Facility Upgrades - In September of 2007 the City received notice from the United States Environmental Protection Agency of an order to comply with certain sections of the Clean Water Act relating to National Pollution Discharge Elimination Systems (NPDES). Full compliance must be achieved by fiscal year 2011. The City is currently in the data accumulation phase and preliminary estimates indicate the costs associated with full compliance will be approximately \$ 15,000,000 to \$ 20,000,000.

18. Post-Employment Health Care and Life Insurance Benefits

The City has accepted Chapter 32B of Massachusetts General Laws to provide for health care and life insurance benefits to retirees, their dependents, or their survivors. These benefits are provided through the City's group plans. The cost of these benefits are included in the total cost of benefits for both active and retired employees. The number of participants currently eligible to receive benefits is 885, and the cost of benefits for retirees, their dependents, or their survivors for the year ended June 30, 2007 was \$ 3,622,310.

19. Contributory Retirement System

A. Plan Description and Contribution Information

Substantially all employees of the City (except teachers and administrators under contract employed by the School Department) are members of the Leominster Contributory Retirement System (LCRS), a cost-sharing, multiple-employer defined benefit PERS. Eligible employees must participate in the LCRS. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the LCRS Retirement Board. Chapter 32 also establishes contribution percentages and benefits paid. The LCRS Retirement Board does not have the authority to amend benefit provisions. As required by Massachusetts General Laws, the System issues a separate report to the Commonwealth's Public Employee Retirement Administration Commission.

Membership of each plan consisted of the following at January 1, 2006, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	365
Terminated plan members entitled to but not yet receiving benefits	102
Active plan members	<u>660</u>
Total	1,127
Number of participating employers	2

Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The percentage is determined by the participant's date of entry into the system. All employees hired after January 1, 1979 contribute an additional 2% on all gross regular earnings over the rate of \$ 30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

B. Summary of Significant Accounting Policies

Basis of Accounting - Contributory retirement system financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Investments are reported in accordance with PERAC requirements.

C. Teachers

As required by State statutes, teachers of the City are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. The City is not required to contribute.

All persons employed on at least a half-time basis, who are covered under a contractual agreement requiring certification by the Board of Education are eligible, and must participate in the MTRS.

Based on the Commonwealth of Massachusetts' retirement laws, employees covered by the pension plan must contribute a percentage of gross earnings into the pension fund. The percentage is determined by the participant's date of entry into the system and gross earnings, up to \$ 30,000, as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

Effective January 1, 1990, all participants hired after January 1, 1979, must pay an additional 2% of salary in excess of \$ 30,000. The City's current year covered payroll for teachers was not available.

In fiscal year 2007, the Commonwealth of Massachusetts contributed \$ 7,989,894 to the MTRS on behalf of the City. This is included in the education expenditures and intergovernmental revenues in the general fund.

20. Self Insurance

The City self insures against claims for workers compensation, dental and health insurance coverage. Annual estimated requirements for claims are provided in the City's annual operating budget.

Workers Compensation

The City contracts with an insurance consultant for claims processing of the City's workers compensation policy. Under the terms of its insurance coverage, the City is liable for an aggregate liability of \$ 358,047, with a maximum of \$ 5,000,000. At June 30, 2007, there was no liability for unpaid claims as the City estimates the amount, if any, to be immaterial.

Health Insurance

The City contracts with an insurance carrier for excess liability coverage and an insurance consultant for claims processing of its dental and health insurance plans. Under the terms of its insurance coverage, the City is liable for dental costs incurred up to \$ 1,000 per enrollee per year and medical claims up to \$ 100,000 per incident, with a lifetime maximum of \$ 2 million per enrollee. The policy also includes an aggregate maximum of 125 percent of premiums per policy year. The City's health insurance plans are retrospectively rated (i.e., level monthly payment amounts are adjusted quarterly to reflect actual claims paid). The claims liability at June 30, 2007 represents an estimate of claims incurred but unpaid at year end, based on past historical costs and claims paid subsequent to year end.

Changes in the aggregate liability for claims for the year ended June 30, 2007 are as follows:

Claims liability, July 1, 2006	\$ 3,017,749
Claims incurred/recognized in fiscal year 2007	15,715,913
Claims paid in fiscal year 2007	(14,767,045)
Claims liability, June 30, 2007	<u>\$ 3,966,617</u>

21. Beginning Net Asset Restatement

The beginning (July 1, 2006) governmental activities net assets have been restated as follows:

	Governmental <u>Activities</u>
As previously reported	\$ 145,415,391
To adjust the landfill closure liability based on revised estimates of future monitoring costs	(902,911)
To adjust prior year balances in capital assets, net of accumulated depreciation, for the retrospective reporting of infrastructure assets required to be recorded in fiscal year 2007	<u>13,253,694</u>
As restated	<u>\$ 157,766,174</u>

CITY OF LEOMINSTER, MASSACHUSETTS

CONTRIBUTORY RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Funding Progress and Employer Contributions

The following schedules are presented in accordance with the Governmental Accounting Standards Board Statement 25.

Schedule of Funding Progress (in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b - a)/c]
1/01/07	\$ 88,606	\$111,752	\$ 23,146	79.0%	\$ 22,775	102%
1/01/06	\$ 75,143	\$101,959	\$ 26,816	74.0%	\$ 22,109	121%
1/01/04	\$ 62,214	\$ 92,559	\$ 30,345	67.0%	\$ 20,658	147%
1/01/01	\$ 52,941	\$ 77,053	\$ 24,112	68.7%	\$ 18,178	133%
1/01/98	\$ 41,568	\$ 68,432	\$ 26,864	60.7%	\$ 15,254	176%
1/01/95	\$ 24,578	\$ 49,024	\$ 24,446	50.1%	\$ 11,638	210%
1/01/92	\$ 19,797	\$ 42,516	\$ 22,719	46.6%	\$ 10,700	212%

Schedule of Employer Contributions:

Year Ended June 30	Annual Required Contribution	Percentage Contributed
1998	\$ 2,813,077	100%
1999	\$ 3,074,811	100%
2000	\$ 2,817,657	100%
2001	\$ 2,950,183	100%
2002	\$ 3,060,645	100%
2003	\$ 3,332,948	100%
2004	\$ 3,555,376	100%
2005	\$ 3,686,988	100%
2006	\$ 4,648,322	100%
2007	\$ 4,983,069	100%

The required information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	January 1, 2006
Actuarial cost method	Entry age, normal cost
Amortization method	Approximate level percent of payroll closed
Remaining amortization period	9 years
Asset valuation method	Market value adjusted by payables and receivables
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	4.75%
Cost of living adjustments	To be funded by City

See Independent Auditors' Report.

CITY OF LEOMINSTER, MASSACHUSETTS

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

ANNUALLY BUDGETED SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
<u>WATER</u>				
Revenues and Other Sources:				
Charges for services	\$ 3,515,000	\$ 3,515,000	\$ 3,404,489	\$ (110,511)
Intergovernmental	40,295	40,295	40,295	-
Transfers in	-	641,980	641,980	-
Total Revenues and Other Sources	3,555,295	4,197,275	4,086,764	(110,511)
Expenditures and Other Uses:				
Public works	2,972,830	3,614,810	3,471,932	142,878
Debt service	582,465	582,465	582,306	159
Transfers out	-	-	32,526	(32,526)
Total Expenditures and Other Uses	3,555,295	4,197,275	4,086,764	110,511
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ -	\$ -
<u>SEWER</u>				
Revenues and Other Sources:				
Charges for services	\$ 2,600,000	\$ 2,600,000	\$ 2,845,724	\$ 245,724
Intergovernmental	69,398	69,398	69,398	-
Transfers in	-	548,894	548,894	-
Total Revenues and Other Sources	2,669,398	3,218,292	3,464,016	245,724
Expenditures and Other Uses:				
Public works	2,300,617	2,849,511	2,819,568	29,943
Debt service	368,781	368,781	355,712	13,069
Transfers out	-	-	288,736	(288,736)
Total Expenditures and Other Uses	2,669,398	3,218,292	3,464,016	(245,724)
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ -	\$ -

See Independent Auditors' Report.